

**NORTH CENTRAL  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2011

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**NORTH CENTRAL COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

(Before September, 2010 Special Election)

Michael Webb	President	2011
Jack Page	Vice President	2011
Kristina Nodtvedt		2013
Lisa Cooper		2013
Brett Backhaus		2010

(After September, 2010 Special Election)

Michael Webb	President	2011
Brett Backhaus	Vice President	2011
Kristina Nodtvedt		2011
Lisa Cooper		2011
Jack Page		2011

All terms expire June 30 2011 due to reorganization with Nora Springs-Rock Falls Community School District.

**School Officials**

Steve Ward	Superintendent
Amy Yezek	District Secretary/ Treasurer

# BRUCE D. FRINK

Certified Public Accountant

## Member:

- American Institute of Certified Public Accountants

- Iowa Society of Certified Public Accountants

## Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

## Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

## Independent Auditor's Report

To the Board of Education of  
North Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of North Central Community School District, Nora Springs, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of North Central Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

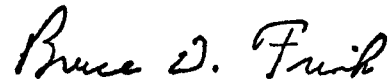
In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2012 on our consideration of North Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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Clarion, IA 50525

Phone: (515) 532-6659  
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bruce@frinkcpa.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Central Community School District's basic financial statements. The financial statements for the seven years ended June 30, 2010 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

BRUCE D. FRINK  
Certified Public Accountant

March 30, 2012

## **NORTH CENTRAL COMMUNITY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

North Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,060,081 in FY2010 to \$6,139,381 in FY2011, while General Fund expenditures decreased from \$5,834,824 in FY2010 to \$5,561,303 in FY2011. The District's General Fund balance increased by \$578,078 in FY2011.
- The amount of statewide sales, services and use tax collected increased from \$337,475 in FY2010 to \$392,145 in FY2011.
- Expenses decreased five percent from FY2010 to FY2011. 2% or less allowable budget increases tend to be inadequate to maintain current educational programs. Major cost cutting measures were implemented during FY2011.
- Revenues increased as a result of restoring prior year state aid cuts. State aid revenues were still less than FY2009 levels.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of North Central Community School District as a whole and present in overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Central Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity Fund and a multiyear comparison of revenues and expenditures.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
*North Central Community School District Annual Financial Report*

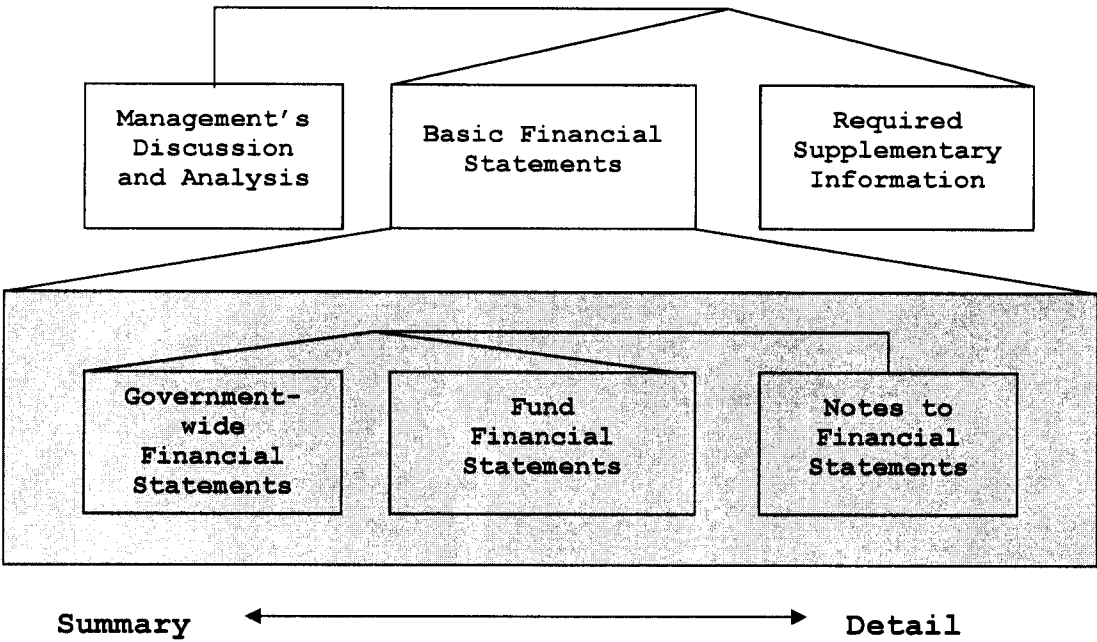


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and health benefits	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Capital Projects Funds and the Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has two Proprietary Funds, the School Nutrition Fund and Internal Services.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and statement cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trusts.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to the year ended June 30, 2010.

<p align="center"><b>Figure A-3</b>  <b>Condensed Statement of Net Assets</b>  <b>(Expressed in Thousands)</b></p>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	\$ 882	3,526	15	38	897	3,564	-74.83%
Capital assets	4,543	4,701	44	50	4,587	4,751	-3.45%
Total assets	5,425	8,227	59	88	5,484	8,315	-34.05%
Current liabilities	272	3,737	2	24	274	3,761	-92.71%
Non-current liabilities	1,844	2,172	2	2	1,846	2,174	-15.09%
Total liabilities	2,116	5,909	4	26	2,120	5,935	-64.28%
Net Assets							
Invested in capital assets, net of related debt	2,773	2,620	44	5	2,817	2,625	7.31%
Restricted	1,176	858	-	-	1,176	858	37.06%
Unrestricted	(640)	(1,160)	11	57	(629)	(1,103)	42.97%
Total net assets	\$ 3,309	2,318	55	62	3,364	2,380	41.34%

Unrestricted and restricted funds increased dramatically. This was in large part due to cost containment measures on operating funds as the District approaches reorganization.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

<b>Figure A-4</b> <b>Changes in Net Assets</b> <b>(Expressed in Thousands)</b>							
Governmental Activities		Business Type Activities		Total School District		Total Change	
2011	2010	2011	2010	2011	2010	2010-2011	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 679	668	128	139	807	807	0.00%
Operating grants, contributions and restricted interest	1,438	1,025	126	109	1,564	1,134	37.92%
General revenues:							
Property tax	2,479	2,419	-	-	2,479	2,419	2.48%
Statewide sales, services and use tax	392	337	-	-	392	337	-283.68%
Income surtax	74	131	-	-	74	131	100.00%
Unrestricted state grants	1,863	1,430	-	-	1,863	1,430	30.28%
Unrestricted investment earnings	3	3	-	-	3	3	0.00%
Other	128	48	-	-	128	48	166.67%
Total revenues	<u>7,056</u>	<u>6,061</u>	<u>254</u>	<u>248</u>	<u>7,310</u>	<u>6,309</u>	<u>15.87%</u>
Program expenses:							
Governmental activities:							
Instruction	4,017	4,140	-	-	4,017	4,140	-2.97%
Support services	1,469	1,799	-	-	1,469	1,799	-18.34%
Non-instructional programs	-	-	261	284	261	284	-8.10%
Other expenses	580	520	-	-	580	520	11.54%
Total expenses	<u>6,066</u>	<u>6,459</u>	<u>261</u>	<u>284</u>	<u>6,327</u>	<u>6,743</u>	<u>-6.17%</u>
Change in net assets	<u>\$ 990</u>	<u>(398)</u>	<u>(7)</u>	<u>(36)</u>	<u>983</u>	<u>(434)</u>	<u>126.50%</u>

Property tax and unrestricted state grants account for 59% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 87% of the total expenses. These are the areas most directly related to classroom activities.

## Governmental Activities

Revenues for governmental activities were \$7,056,290 and expenses were \$6,065,835 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

**Figure A-5**

**Total and Net Cost of Governmental Activities  
(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 4,017	4,140	-2.97%	2,126	2,674	-20.49%
Support services	1,469	1,799	-18.34%	1,468	1,796	-18.26%
Other expenses	580	520	11.54%	355	296	19.93%
Totals	<u>\$ 6,066</u>	<u>6,459</u>	<u>-6.08%</u>	<u>3,949</u>	<u>4,766</u>	<u>-17.14%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$678,569.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$776,497.
- The net cost of governmental activities was financed with \$2,479,680 in property tax and \$1,863,095 in state foundation aid.
- The increase in state aid still did not return funding to 2009 levels.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The North Central Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported combined fund balances of \$482,807; a large increase from last year's ending fund balance of (\$383,687). Large increases in the General and Capital Project Sales Tax Funds accounted for virtually all of the increases.

### Governmental Fund Highlights

Several factors contributed to the increase of the fund balance in the District's governmental funds.

- The District whole grade shared with Nora Springs-Rock Falls Community School District in an effort to maintain educational programs while also saving money. The two districts approved reorganization effective July 1, 2011.
- The General Fund balance decreased by over \$578,000. This was a great improvement from the past several years.
- The Capital Projects Sales Tax Fund was used for expenditures formerly paid for with property taxes.

- Funding from the statewide sales, services and use tax accounted for over \$390,000 of additional funds during FY2011. Expenses from this fund were primarily for remodeling projects.

### Proprietary Fund Highlights

Revenues for the District's School Nutrition Fund were \$254,126 and expenses were \$261,341. The revenues include charges for services, contributions, and federal and state reimbursements.

School Nutrition Fund net assets decreased by \$7,215.

### BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

The published budget was set at higher than expected levels of spending. As a result, the District did not exceed the published budget in any of the four functions. The District exceeded its unspent authority.

Budgeted revenues were greater than anticipated due to carryover federal funds.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

The District has invested more than \$4.5 million, net of accumulated depreciation, by the end of FY2011 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. Total depreciation expenses for the year exceeded \$240,000.

Figure A-6							
Capital Assets, net of Depreciation							
(Expressed in Thousands)							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 45	45	-	-	45	45	0.00%
Land improvements	417	449	-	-	417	449	-7.13%
Buildings	3,763	3,912	-	-	3,763	3,912	-3.81%
Furniture and equipment	318	295	44	50	362	345	4.93%
Totals	\$ 4,543	4,701	44	50	4,587	4,751	-3.45%

## Long-Term Debt

The District had total outstanding revenue bonds on June 30, 2011, of \$260,000. The principal and interest on the bonds will be paid in full by July 1, 2017. The District makes principal and interest payments annually on these bonds using property tax dollars obtained through the one cent sales tax. The District had \$1,510,000 of general obligation bonds outstanding. Final payment on these is slated for June 1, 2017. These are paid with property tax dollars levied specifically for these bonds.

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations</b>			
<b>(Expressed in Thousands)</b>			
	Total District	Total Change	
	June 30,	June 30,	
	2011	2010	2010-2011
Revenue bonds	\$ 260	330	-21.21%
GO bonds	1,510	1,750	
Net OPEB liability	35	19	100.00%
Early retirement	39	73	-46.58%
	<u>\$ 1,844</u>	<u>2,172</u>	<u>-15.10%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The statewide sales, services and use tax will provide funds for property tax reduction and school infrastructure projects affecting the Physical Plant and Equipment Levy Fund, Capital Projects, and Debt Service Funds of the District. This will allow improvement of facilities and equipment without raising property taxes.
- To offset the impact of the trend toward declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10-year period. The District will have to continue to carefully monitor its spending in order to maintain adequate funding and programs.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.
- Reorganization with the Nora Springs-Rock Falls Community School District should allow our students better educational opportunities in the future.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gwen Mellmann, Business Manager, Central Springs Community School District, PO Box 190, Manly, IA 50456.

## **Basic Financial Statements**

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2011

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 524,537	-	524,537
Receivables:			
Property tax:			
Current year	44,965	-	44,965
Income surtax	127,143	-	127,143
Due from other governments	169,627	-	169,627
Other receivables	5,830	-	5,830
Inventories	-	15,561	15,561
Unamortized bond issue costs	9,795	-	9,795
Capital assets, net of accumulated depreciation	4,542,904	43,840	4,586,744
<b>Total assets</b>	<b>5,424,801</b>	<b>59,401</b>	<b>5,484,202</b>
<b>Liabilities:</b>			
Accounts payable	6,577	286	6,863
Accrued salary and benefits	149,041	-	149,041
Accrued interest payable	9,513	-	9,513
Unearned revenue	-	2,423	2,423
Deferred revenue:			
Federal programs	106,534	-	106,534
Long term liabilities:			
Portion due within one year:			
Early retirement	18,112	-	18,112
General obligation bonds payable	245,000	-	245,000
Revenue bonds payable	70,000	-	70,000
Portion due after one year:			
Early retirement	21,007	-	21,007
General obligation bonds payable	1,265,000	-	1,265,000
Revenue bonds payable	190,000	-	190,000
Net OPEB liability	35,048	1,523	36,571
<b>Total liabilities</b>	<b>2,115,832</b>	<b>4,232</b>	<b>2,120,064</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	2,772,904	43,840	2,816,744
Restricted for:			
Categorical funding	10,168	-	10,168
Student activities	24,106	-	24,106
Management levy	248,981	-	248,981
School infrastructure	818,252	-	818,252
Physical plant and equipment levy	49,742	-	49,742
Debt service	24,748	-	24,748
Unrestricted	(639,932)	11,329	(628,603)
<b>Total net assets</b>	<b>\$ 3,308,969</b>	<b>55,169</b>	<b>3,364,138</b>

See notes to financial statements.



**NORTH CENTRAL COMMUNITY SCHOOL DISTRICT**

Statement of Activities

Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Operating Grants, Contributions and Restricted Interest					
	Expenses	Charges for Service		Governmental Activities	Business type Activities	Total
<b>Functions/Programs</b>						
Governmental activities:						
Instruction:	\$ 4,016,481	678,569	1,212,368	(2,125,544)	-	(2,125,544)
Support services:						
Student services	104,741	-	-	(104,741)	-	(104,741)
Instructional staff services	222,351	-	-	(222,351)	-	(222,351)
Administration services	549,838	-	-	(549,838)	-	(549,838)
Operation and maintenance of plant services	325,028	-	925	(324,103)	-	(324,103)
Transportation services	267,375	-	-	(267,375)	-	(267,375)
	<u>1,469,333</u>	<u>-</u>	<u>925</u>	<u>(1,468,408)</u>	<u>-</u>	<u>(1,468,408)</u>
Other expenditures:						
Facilities acquisition and construction	43,540	-	-	(43,540)	-	(43,540)
Long-term debt interest	77,032	-	1,601	(75,431)	-	(75,431)
AEA flowthrough	223,466	-	223,466	-	-	-
Depreciation (unallocated)*	235,983	-	-	(235,983)	-	(235,983)
	<u>580,021</u>	<u>-</u>	<u>225,067</u>	<u>(354,954)</u>	<u>-</u>	<u>(354,954)</u>
Total governmental activities	<u>6,065,835</u>	<u>678,569</u>	<u>1,438,360</u>	<u>(3,948,906)</u>	<u>-</u>	<u>(3,948,906)</u>

**NORTH CENTRAL COMMUNITY SCHOOL DISTRICT**

Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Business type activities:						
Non-instructional programs						
Nutrition services	261,341	127,922	126,204	-	(7,215)	(7,215)
Total	<u>\$ 6,327,176</u>	<u>\$ 806,491</u>	<u>\$ 1,564,564</u>	<u>\$ (3,948,906)</u>	<u>\$ (7,215)</u>	<u>\$ (3,956,121)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,053,454	-	2,053,454
Management fund				158,474	-	158,474
Debt service				204,578	-	204,578
Capital outlay				63,174	-	63,174
Income surtax				73,546	-	73,546
Statewide sale, services and use tax				392,145	-	392,145
Unrestricted state grants				1,863,095	-	1,863,095
Unrestricted investment earnings				3,090	-	3,090
Other				127,805	-	127,805
Total general revenues				<u>4,939,361</u>	<u>-</u>	<u>4,939,361</u>
Change in net assets				990,455	(7,215)	983,240
Net assets beginning of year				<u>2,318,514</u>	<u>62,384</u>	<u>2,380,898</u>
Net assets end of year				<u>\$ 3,308,969</u>	<u>55,169</u>	<u>3,364,138</u>

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

**NORTH CENTRAL COMMUNITY SCHOOL DISTRICT**

Balance Sheet  
Governmental Funds

June 30, 2011

**Assets**

Cash and pooled investments  
Receivables:  
  Property tax:  
    Current year  
    Income surtax  
    Interfund receivable  
  Due from other governments  
  Other receivables

**Total assets**

		Capital Projects					
		Student Activity	Management Levy	Statewide Sales Use Tax	Physical Plant and Equipment Levy	Debt Service	Total
	General						
\$	-	24,106	285,233	129,190	48,693	30,738	517,960
	37,526	-	2,867	-	1,049	3,523	44,965
	127,143	-	-	-	-	-	127,143
	-	-	-	577,747	-	-	577,747
	58,312	-	-	111,315	-	-	169,627
	5,830	-	-	-	-	-	5,830
\$	228,811	24,106	288,100	818,252	49,742	34,261	1,443,272

**NORTH CENTRAL COMMUNITY SCHOOL DISTRICT**

Balance Sheet  
Governmental Funds

June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales Use Tax	Physical Plant and Equipment Levy				
<b>Liabilities and Fund Balances</b>									
Liabilities:									
Accrued payroll and benefits	\$ 149,041	-	-	-	-			-	149,041
Interfund payable	577,747	-	-	-	-			-	577,747
Deferred revenue:									
Income surtax	127,143	-	-	-	-			-	127,143
Federal programs	106,534	-	-	-	-			-	106,534
Total liabilities	960,465	-	-	-	-			-	960,465
Fund balances:									
Restricted for:									
Categorical funding	10,168	-	-	-	-			-	10,168
Student activities	-	24,106	-	-	-			-	24,106
Management levy	-	-	288,100	-	-			-	288,100
School infrastructure	-	-	-	818,252	-			-	818,252
Physical plant and equipment levy	-	-	-	-	49,742			-	49,742
Debt service	-	-	-	-	-			34,261	34,261
Unassigned	(741,822)	-	-	-	-			-	(741,822)
Total fund balances	(731,654)	24,106	288,100	818,252	49,742			34,261	482,807
<b>Total liabilities and fund balances</b>	\$ 228,811	24,106	288,100	818,252	49,742			34,261	1,443,272

See notes to financial statements.

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2011

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 482,807
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Income surtax receivable at June 30, 2011 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	127,143
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,542,904
Bond issue costs are expensed when incurred for the fund financial statements but are capitalized and expensed over the life of the bonds for the Statement of Net Assets.	9,795
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(9,513)
Long-term liabilities, including bonds payable, early retirement payable and net other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,844,167)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u>\$ 3,308,969</u>

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2011

	Capital Projects					Debt Service	Total
	General	Student Activity	Management Levy	Statewide Sales Service and Use Tax	Physical Plant and Equipment Levy		
Revenues:							
Local sources:							
Local tax	\$ 2,179,850	-	158,474	392,145	63,174	204,578	2,998,221
Tuition	678,569	-	-	-	-	-	678,569
Other	417,904	148,862	900	-	25	1,601	569,292
State sources	2,520,556	-	-	-	-	-	2,520,556
Federal sources	342,502	-	-	-	-	-	342,502
Total revenues	6,139,381	148,862	159,374	392,145	63,199	206,179	7,109,140
Expenditures:							
Instruction	3,883,728	147,130	3,796	-	-	-	4,034,654
Support services:							
Student services	69,369	-	35,372	-	-	-	104,741
Instructional staff services	218,138	-	4,213	-	-	-	222,351
Administration services	538,509	-	11,329	-	-	-	549,838
Operation and maintenance of plant services	360,747	-	42,254	-	-	-	403,001
Transportation services	267,346	-	29	-	-	-	267,375
	1,454,109	-	93,197	-	-	-	1,547,306

**NORTH CENTRAL COMMUNITY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales Use Tax	Physical Plant and Equipment Levy				
Other expenditures:									
Facilities acquisition and construction	-	-	-	3,445	40,095			-	43,540
Long-term debt:									
Principal	-	-	-	-	-			310,000	310,000
Interest	-	-	-	-	-			81,730	81,730
Services				-	-			1,950	1,950
AEA flowthrough	223,466	-	-	-	-			-	223,466
	<u>223,466</u>	<u>-</u>	<u>-</u>	<u>3,445</u>	<u>40,095</u>			<u>393,680</u>	<u>660,686</u>
Total expenditures	<u>5,561,303</u>	<u>147,130</u>	<u>96,993</u>	<u>3,445</u>	<u>40,095</u>			<u>393,680</u>	<u>6,242,646</u>
Excess (deficiency) of revenues over (under) expenditures	<u>578,078</u>	<u>1,732</u>	<u>62,381</u>	<u>388,700</u>	<u>23,104</u>			<u>(187,501)</u>	<u>866,494</u>
Other financing sources (uses):									
Operating transfers in	-	-	-	-	-			87,292	87,292
Operating transfers out	-	-	-	(87,292)	-			-	(87,292)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(87,292)</u>	<u>-</u>			<u>87,292</u>	<u>-</u>
Net changes in fund balance	578,078	1,732	62,381	301,408	23,104			(100,209)	866,494
Fund balances beginning of year	<u>(1,309,732)</u>	<u>22,374</u>	<u>225,719</u>	<u>516,844</u>	<u>26,638</u>			<u>134,470</u>	<u>(383,687)</u>
Fund balances end of year	<u>\$ (731,654)</u>	<u>24,106</u>	<u>288,100</u>	<u>818,252</u>	<u>49,742</u>			<u>34,261</u>	<u>482,807</u>

See notes to financial statements.

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2011

<b>Net change in fund balances - total governmental funds (Exhibit E)</b>	\$ 866,494
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**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities. This represents the change from the prior fiscal year.

(52,850)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 77,973	
Depreciation expense	<u>(235,983)</u>	(158,010)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

310,000

Some expenses recorded in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	34,341	
Other postemployment benefits	<u>(16,168)</u>	18,173

Bond issue costs are expensed when incurred for the fund financial statements, but are capitalized and expensed over the life of the bonds for the Statement of Net Assets.

(1,960)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

8,608

<b>Change in net assets of governmental activities (Exhibit B)</b>	<u><u>\$ 990,455</u></u>
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See notes to financial statements.



## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

Year ended June 30, 2011

	Enterprise Fund School Nutrition	Governmental Activities Internal Service Fund
<b>Assets</b>		
Cash and pooled investments	\$ -	6,577
Inventories	15,561	-
Capital assets, net of accumulated depreciation	43,840	-
<b>Total assets</b>	<u>59,401</u>	<u>6,577</u>
<b>Net assets</b>		
<b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
Accounts payable	286	6,577
Unearned revenue	2,423	-
Net OPEB liability	1,523	-
	<u>4,232</u>	<u>6,577</u>
<b>Fund balances:</b>		
Invested in capital assets, net of related debt	43,840	-
Unrestricted	11,329	-
<b>Total net assets</b>	<u>\$ 55,169</u>	<u>-</u>

See notes to financial statements.

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2011

	Enterprise Fund School Nutrition	Governmental Activities Internal Service Fund
Operating revenue:		
Local sources:		
Charges for services	\$ 127,922	33,036
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	83,783	-
Benefits	47,183	-
Supplies	124,116	-
Depreciation	6,259	-
	261,341	-
Other enterprise operations:		
Benefits	-	33,036
Total operating expenses	261,341	33,036
Operating (loss)	(133,419)	-
Non-operating revenues:		
Interest on investments	38	-
State sources	2,059	-
Federal sources	124,107	-
	126,204	-
Change in fund net assets	(7,215)	-
Net assets beginning of year	62,384	-
Net assets end of year	\$ 55,169	-

See notes to financial statements.

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2011

	Enterprise Fund School Nutrition	Governmental Activities Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of services	\$ 128,004	33,036
Cash payments to employees for services	(152,452)	(28,100)
Cash payments to suppliers for goods or services	(100,699)	-
Net cash (used by) operating activities	(125,147)	4,936
Cash flows from non-capital financing activities:		
State grants received	2,059	-
Federal grants received	99,914	-
Net cash provided by non-capital financing activities	101,973	-
Cash flows from investing activities:		
Interest on investments	38	-
Net increase in cash and cash equivalents	(23,136)	4,936
Cash and cash equivalents beginning of year	23,136	1,641
Cash and cash equivalents end of year	\$ -	6,577
<b>Reconciliation of operating (loss) to net cash (used by) operating activities:</b>		
Operating income (loss)	\$ (133,419)	-
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:		
Depreciation	6,259	-
Commodities used	24,193	-
Increase in accounts payable	286	4,936
Increase in unearned revenues	82	-
(Increase) in inventory	(1,062)	-
(Decrease) in accrued salary and benefits	(21,486)	-
	\$ (125,147)	4,936

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2011, the District received federal commodities valued at \$24,913.

See notes to financial statements.

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2011

	Private Purpose <u>Trusts</u>
<b>Assets</b>	
Cash and pooled investments	\$ 5,315
<b>Liabilities</b>	
Other payables	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	<u>\$ 5,315</u>

See notes to financial statements.

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trusts <u>Scholarships</u>
Additions:	
Local sources:	
Miscellaneous	\$ 387
Total additions	<u>387</u>
Deductions:	
Support services:	
Scholarships	<u>13,581</u>
Total deductions	<u>13,581</u>
Change in net assets	(13,194)
Net assets beginning of year	<u>18,509</u>
Net assets end of year	<u>\$ 5,315</u>

See notes to financial statements.

# NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2011

### (1) Summary of Significant Accounting Policies

North Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Hanlontown, Plymouth and Manly, Iowa, and agricultural area in Cerro Gordo and Worth Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. The District is involved in a two way sharing agreement with the Nora Springs-Rock Falls Community School District. Students in grades five through eight attend Nora Springs-Rock Falls Community School District. Students in grades nine through twelve attend North Central Community School District.

As of July 1, 2011, the two districts will reorganize as the Central Springs Community School District.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, North Central Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. North Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Worth and Cerro Gordo Counties Assessor Conference Boards.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra-curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund, Physical Plant and Equipment Levy, is utilized to account for the maintenance and equipping of the District's facilities.

The Capital Projects Fund, Statewide Sales Service and Use Tax, is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used for scholarship payments.

### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:



Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000
Intangible assets	75,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years
Intangible assets	5-10 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent proceeds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted in any of the four functions. The District exceeded its General Fund unspent authorized budget.

## (2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$133,669 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

### (3) Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 45,500	-	-	45,500
Capital assets being depreciated:				
Improvements other than buildings	744,649	-	-	744,649
Buildings	6,368,630	-	-	6,368,630
Furniture and Equipment	794,626	77,973	-	872,599
Total capital assets being depreciated	7,907,905	77,973	-	7,985,878
Less accumulated depreciation for:				
Improvements other than buildings	296,381	31,922	-	328,303
Buildings	2,455,928	149,308	-	2,605,236
Furniture and Equipment	500,182	54,753	-	554,935
Total accumulated depreciation	3,252,491	235,983	-	3,488,474
Total capital assets being depreciated, net	4,655,414	(158,010)	-	4,497,404
Governmental activities, capital assets, net	\$ 4,700,914	(158,010)	-	4,542,904
<b>Business type activities</b>				
Furniture and Equipment	\$ 79,007	-	-	79,007
Less accumulated depreciation	28,908	6,259	-	35,167
Business type activities capital assets, net	\$ 50,099	(6,259)	-	43,840

Depreciation expense was charged to the following functions:

Unallocated	235,983
	<u>\$ 235,983</u>
Business type activities:	
Food service operations	<u>\$ 6,259</u>

#### (4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities:					
Net OPEB Liability	\$ 188,880	16,168	-	35,048	-
Early Retirement	73,460	-	34,341	39,119	18,112
General Obligation Bonds	1,750,000	-	240,000	1,510,000	245,000
Revenue Bonds	330,000	-	70,000	260,000	70,000
Total	\$2,172,340	16,168	344,341	1,844,167	333,112

##### Early Retirement

The District approved a voluntary early retirement plan for employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to 50% of the employee's placement of the salary schedule for their last year of employment up to a maximum of \$25,000. Early retirement cash benefits will be paid over a three year period. For 2010 retirees, the District will also pay 50% of the health insurance premium for five years.

At June 30, 2011, the District has obligations to two participants with a total liability of \$39,118. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$34,341.

##### General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Ending June 30,	Refunding Bond Issue April 29, 2004			
	Interest Rates	Principal	Interest	Total
2012	4.50%	\$ 245,000	60,575	305,575
2013	4.50	255,000	49,550	304,550
2014	4.00	270,000	38,075	308,075
2015	3.60	280,000	27,275	307,275
2016	3.70	285,000	17,195	302,195
2017	3.80	175,000	6,650	181,650
Total		\$1,510,000	199,320	1,709,320

##### Revenue Bonds Payable

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Ending June 30,	Bond Issue of September, 2005			
	Interest Rates	Principal	Interest	Total
2012	3.80%	\$ 70,000	8,930	78,930
2013	4.00	75,000	6,100	81,100
2014	4.00	75,000	3,100	78,100
2015	4.00	40,000	800	40,800
Total		\$260,000	18,930	278,930

The District has pledged future statewide sales, services and use tax revenues to repay the \$585,000 of bonds issued in September, 2005. The bonds were issued for the purpose of financing a portion of the costs of school renovations. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues and received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 25 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$278,930. For the current year, principal of \$70,000 and interest of \$11,555 were paid on the bonds and total statewide sales and services tax revenues were \$392,145.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- \$58,500 of the proceeds from the bond issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the Capital Projects Fund, Statewide Sales, Services and Use Tax.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monthly transfers, equal to 1/12 of the next principal payment plus 1/6 of the next interest payment, are to go from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. The sinking account is part of the Capital Projects Fund, Statewide Sales, Services and Use Tax.

#### **(5) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$216,966, \$180,997, and \$195,517 respectively, equal to the required contributions for each year.

#### **(6) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$223,466 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **(7) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Sharing Program/Reorganization**

In FY2011, the District has a two-way sharing agreement with the Nora Springs-Rock Falls Community School District to share grades 5-12. Grades 5-8 attend classes in Nora Springs while grades 9-12 attend classes in Manly.

In September, 2010 the voters of each district approved a reorganization effective July 1, 2011.

**(9) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2010-11A	6/30/10	6/23/11	\$ -	689,500	689,500	-
2010-11B	1/26/11	1/25/12	-	-	-	-
Total			\$ -	689,500	689,500	-

During the year ended June 30, 2011, the District paid \$18,252 of interest on the ISCAP warrants.

**(10) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 83 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Principal. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 39,939
Interest on net OPEB Obligation	510
Adjustment to annual required contribution	<u>(3,130)</u>
Annual OPEB Cost	37,319
Contributions made	<u>(21,151)</u>
Increase in net OPEB obligation	16,168
Net OPEB obligation beginning of year	<u>20,403</u>
Net OPEB obligation end of year	\$ <u>36,571</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$21,151 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$37,847	46.1%	\$20,403
June 30, 2011	\$37,319	56.7%	\$36,571

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$251,173, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$251,173. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,193,000 and the ratio of the UAAL to covered payroll was 7.9%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects, Physical Plant and Equipment Levy</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ -	26,638
Change in fund type classification per implementation of GASB Statement No. 54	<u>26,638</u>	<u>(26,638)</u>
Balances July 1, 2010, as restated	\$ <u>26,638</u>	<u>-</u>



## **Required Supplementary Information**

**NORTH CENTRAL COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues:</b>						
Local sources	\$ 4,246,082	127,960	4,374,042	4,181,913	4,181,913	192,129
State sources	2,520,556	2,059	2,522,615	2,684,741	2,684,741	(162,126)
Federal sources	342,502	124,107	466,609	204,000	204,000	262,609
Total revenues	<u>7,109,140</u>	<u>254,126</u>	<u>7,363,266</u>	<u>7,070,654</u>	<u>7,070,654</u>	<u>292,612</u>
<b>Expenditures/Expenses:</b>						
Instruction	4,034,654	-	4,034,654	4,370,000	4,370,000	335,346
Support services	1,547,306	-	1,547,306	1,568,650	1,568,650	21,344
Non-instructional programs	-	261,341	261,341	290,000	290,000	28,659
Other expenditures	660,686	-	660,686	1,067,218	1,067,218	406,532
Total expenditures/expenses	<u>6,242,646</u>	<u>261,341</u>	<u>6,503,987</u>	<u>7,295,868</u>	<u>7,295,868</u>	<u>791,881</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	866,494	(7,215)	859,279	(225,214)	(225,214)	1,084,493
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	866,494	(7,215)	859,279	(225,214)	(225,214)	1,084,493
Balance beginning of year	(383,687)	62,384	(321,303)	246,210	246,210	(567,513)
Balance end of year	<u>\$ 482,807</u>	<u>55,169</u>	<u>537,976</u>	<u>20,996</u>	<u>20,996</u>	<u>516,980</u>

See accompanying independent auditor's report.

## **NORTH CENTRAL COMMUNITY SCHOOL DISTRICT**

### **Note to Required Supplementary Information - Budgetary Reporting**

**Year ended June 30, 2011**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted in any of the four functions. The District exceeded the General Fund unspent authorized budget.

**NORTH CENTRAL COMMUNITY SCHOOL DISTRICT**

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$273	\$273	0.0%	\$2,328	11.7%
2011	Jul 1, 2009	\$0	\$251	\$251	0.0%	\$3,193	7.9%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## **Other Supplementary Information**

## NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Boys basketball	\$ 1,503	4,249	5,290	462
Football	6,327	14,405	20,135	597
Baseball	(3,774)	9,471	4,965	732
Boys track	2,541	3,862	6,108	295
Boys golf	(252)	539	31	256
Coop wrestling	1,274	6,874	7,532	616
JH wrestling	780	1,240	2,020	-
Volleyball	2,231	17,887	19,496	622
Softball	(1,991)	4,185	1,782	412
Girls track	(2,387)	4,473	1,940	146
Girls golf	600	38	305	333
Girls basketball	1,961	8,134	9,580	515
Athletic fundraiser	(5,741)	8,706	2,724	241
Cross country	675	3,192	3,291	576
MS athletics	(1,492)	4,072	2,494	86
Football fundraising	1,325	3,265	4,001	589
French club	101	-	101	-
Honor society	(76)	436	295	65
Pep club	235	-	235	-
Student council	3,297	6,853	6,469	3,681
TAG/FPS	3,280	753	1,809	2,224
Drama & speech	221	1,135	749	607
Dance team	(1,369)	5,293	3,818	106
Elementary activities	1,703	-	-	1,703
Art activities	939	193	423	709
Cheerleading	(467)	8,065	7,097	501
Trap shooting	593	6,520	5,088	2,025
Middle school	157	140	-	297
Senior class	14	864	869	9
Junior class	5,626	3,100	6,538	2,188
Sophomore class	183	578	489	272
Freshman class	846	544	607	783
Interest	149	111	-	260
Magazine JH	2,673	-	399	2,274
Magazine elementary	1,597	-	-	1,597
Vocal music	691	7,895	8,344	242
Show choir	67	-	67	-
Choir robes	559	-	-	559
Instrumental music	577	540	1,037	80
Band uniforms	2,308	-	1,000	1,308
Jazz band	3	-	3	-
Elementary music	709	-	-	709
Yearbook	(6,022)	11,000	9,652	(4,674)
District football	200	250	347	103
Grand total	\$ 22,374	148,862	147,130	24,106

See accompanying independent auditor's report.

For the Last Eight Years

See accompanying independent auditor's report.

# BRUCE D. FRINK

Certified Public Accountant

## Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

## Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

## Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
North Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of North Central Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 30, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Central Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of North Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Central Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

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## Compliance and Other Matters

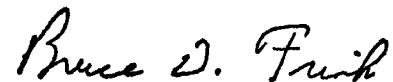
As part of obtaining reasonable assurance about whether North Central Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Central Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit North Central Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of North Central Community School District and other parties to whom North Central Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Central Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 30, 2012

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-11 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

I-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-11 Certified Budget - During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted in any of the four functions. The District exceeded its General Fund unspent authorized budget.

Recommendation - No action is necessary as the reorganized district is in a positive position.

Response -No response necessary.

Conclusion - Response accepted.

II-B-11 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted

II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-E-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

II-F-11 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-G-11 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-H-11 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education. We noted that the report did not include the Student Activity Fund.

Recommendation - We recommend that the District review the report for completeness prior to filing.

Response - We will do a more complete review of future reports.

Conclusion - Response accepted.

II-I-11 Certified Enrollment - No variances in the basic enrollment date certified to the Iowa Department of Education were noted.

II-J-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

NORTH CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued)**

IV-L-11 Statewide sales, services and use tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the FY2011 audit.

Beginning balance		\$516,844
Revenues/transfers in:		
Sales tax revenues		<u>392,145</u>
		908,989
Expenditures/transfers out:		
School infrastructure construction	3,445	
Transfers to other funds:		
Debt service fund	<u>87,292</u>	<u>90,737</u>
Ending balance		<u>\$818,252</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.